



**Auditor of State  
Betty Montgomery**



SHARON TOWNSHIP  
FRANKLIN COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Sharon Township  
Franklin County  
137 East Granville Road  
Worthington, Ohio 43085

To the Board of Trustees:

We have audited the accompanying financial statements of Sharon Township, Franklin County, Ohio, (the Township) as of and for the years ended December 31, 2002, and December 31, 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2002, and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2003, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
**Auditor of State**

July 31, 2003

**SHARON TOWNSHIP  
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$0	\$982,142	\$0	\$982,142
Intergovernmental	139,264	276,272	0	415,536
Licenses, Permits, and Fees	0	25	0	25
Fines, Forfeitures, and Penalties	0	21,678	0	21,678
Earnings on Investments	39,589	2,955	0	42,544
Other Revenue	15,336	120,449	0	135,785
<b>Total Cash Receipts</b>	<b>194,189</b>	<b>1,403,521</b>	<b>0</b>	<b>1,597,710</b>
<b>Cash Disbursements:</b>				
Current:				
General Government	181,006	0	0	181,006
Public Safety	682	694,750	0	695,432
Public Works	0	180,954	0	180,954
Health	10,172	364,817	0	374,989
Employee Fringe Benefits	0	0	174	174
Capital Outlay	0	22,886	0	22,886
<b>Total Cash Disbursements</b>	<b>191,860</b>	<b>1,263,407</b>	<b>174</b>	<b>1,455,441</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>2,329</b>	<b>140,114</b>	<b>(174)</b>	<b>142,269</b>
<b>Other Financing Receipts:</b>				
Miscellaneous Receipts	0	0	174	174
<b>Total Other Financing Receipts</b>	<b>0</b>	<b>0</b>	<b>174</b>	<b>174</b>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	2,329	140,114	0	142,443
Fund Cash Balances, January 1	1,620,326	1,120,926	0	2,741,252
<b>Fund Cash Balances, December 31</b>	<b>\$1,622,655</b>	<b>\$1,261,040</b>	<b>\$0</b>	<b>\$2,883,695</b>
Reserve for Encumbrances, December 31	\$1,597	\$42,461	\$0	\$44,058

*The notes to the financial statements are an integral part of this statement.*

**SHARON TOWNSHIP  
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$92,284	\$954,338	\$1,046,622
Intergovernmental	120,165	248,780	368,945
Fines, Forfeitures, and Penalties	0	35,961	35,961
Earnings on Investments	78,093	5,232	83,325
Other Revenue	18,280	95,696	113,976
	<u>308,822</u>	<u>1,340,007</u>	<u>1,648,829</u>
<b>Total Cash Receipts</b>			
	<u>308,822</u>	<u>1,340,007</u>	<u>1,648,829</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	188,557	0	188,557
Public Safety	0	631,187	631,187
Public Works	97	201,330	201,427
Health	10,820	304,854	315,674
	<u>199,474</u>	<u>1,137,371</u>	<u>1,336,845</u>
<b>Total Cash Disbursements</b>			
	<u>199,474</u>	<u>1,137,371</u>	<u>1,336,845</u>
<b>Total Receipts Over Disbursements</b>	109,348	202,636	311,984
<b>Fund Cash Balances, January 1</b>	<u>1,510,978</u>	<u>918,290</u>	<u>2,429,268</u>
<b>Fund Cash Balances, December 31</b>	<u>\$1,620,326</u>	<u>\$1,120,926</u>	<u>\$2,741,252</u>
<b>Reserve for Encumbrances, December 31</b>	<u>\$93</u>	<u>\$36,937</u>	<u>\$37,030</u>

*The notes to the financial statements are an integral part of this statement.*



**SHARON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Sharon Township, Franklin County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, and police protection. In year 2000, the Township's fire department became part of the City of Worthington. Millage collected for the operation of the fire department was reallocated to the City of Worthington. The Township contracts with the City of Worthington to provide fire and emergency medical services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**SHARON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Police District Fund - This fund receives property tax revenue and other intergovernmental revenue for providing security of persons and property for Township residents.

Cemetery Fund – This fund receives property tax revenue and other intergovernmental revenue for maintaining the Walnut Grove and Flint Union cemeteries.

Fire District Fund – This fund receives property tax revenue and other intergovernmental revenue which is remitted to the City of Worthington to provide for fire protection services for Township residents.

Road District Fund – This fund receives property tax revenue and other intergovernmental revenue for maintenance and repair of the township roads.

**3. Fiduciary Fund (Agency Fund)**

This fund is used to account for resources for which the Township is acting in an agency capacity. The Township had the following significant agency fund:

Agency Fund – The Township created a Cobra Fund to receive revenue and pay expenses for insurance premiums.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**SHARON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Township maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2002	2001
Demand deposits	\$1,152,758	\$1,386,948
Certificates of deposit	150,000	0
Total deposits	1,302,758	1,386,948
STAR Ohio	1,580,937	1,354,304
Total investments	1,580,937	1,354,304
Total deposits and investments	\$2,883,695	\$2,741,252

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**SHARON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 are as follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$148,959	\$194,189	\$45,230
Special Revenue	1,393,636	1,403,521	9,885
Total	\$1,542,595	\$1,597,710	\$55,115

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$269,330	\$193,457	\$75,873
Special Revenue	1,831,973	1,305,868	526,105
Total	\$2,101,303	\$1,499,325	\$601,978

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$308,168	\$308,822	\$654
Special Revenue	1,339,846	1,340,007	161
Total	\$1,648,014	\$1,648,829	\$815

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$312,251	\$199,567	\$112,684
Special Revenue	1,472,754	1,174,308	298,446
Total	\$1,785,005	\$1,373,875	\$411,130

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

**SHARON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**4. PROPERTY TAX (Continued)**

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. RETIREMENT SYSTEM**

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, law enforcement members of PERS contributed 10.1% of their wages to PERS. The Township contributed an amount equal to 16.7% of their wages. All other members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. As of May 2003, the Township has paid all contributions required through December 31, 2002.

**6. RISK MANAGEMENT**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

**SHARON TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	<u>9,197,512</u>	<u>(9,379,003)</u>
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	<u>(1,204,326)</u>	<u>(647,667)</u>
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

**7. COMPONENT UNIT**

The Walnut Grove and Flint Union Cemetery is considered a component unit of the Township. The Cemetery is considered a component unit because the Township appoints the one-third of the Cemetery Board and provides all of the Cemetery's financial support. The financial statements of the Cemetery can be obtained by writing Elaine Russell Clerk, at 5561 Milton Avenue, Worthington 43085



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Sharon Township  
Franklin County  
137 East Granville Road  
Worthington, Ohio 43085

To the Board of Trustees:

We have audited the accompanying financial statements of Sharon Township, Franklin County, Ohio, (the Township) as of and for the years ended December 31, 2002, and December 31, 2001, and have issued our report thereon dated July 31, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 31, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated July 31, 2003.

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Sharon Township  
Franklin County  
Independent Accountants' Report on Compliance and  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
**Auditor of State**

July 31, 2003



**SHARON TOWNSHIP  
FRANKLIN COUNTY**

**SCHEDULE OF FINDING  
DECEMBER 31, 2002 AND 2001**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDINGS REPAID UNDER AUDIT**

**FINDING NUMBER 2002-001**

**Payroll Taxes**

26 USC 3402 (a) states in general, except as otherwise provided in this Section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed in this section. 26 USC 3403 states in general, the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter.

The Township did not remit \$10,214.23 of federal income taxes withheld from wages earned by employees to the Internal Revenue Service for tax period ended December 31, 2002. Including penalties and interest, the amount owed was \$13,571.40.

The \$13,571.40 was subsequently paid to the Internal Revenue Service in May 2003. As of July 31, 2003, the Township is up to date on all the required withholdings to the Internal Revenue Service.

**FINDING NUMBER 2002-002**

**Ohio Public Employees Retirement System (OPERS)**

Ohio Rev. Code Sections 145.01, 145.02, 145.03, 145.47, and 145.48 require the Township to enroll their employees in the appropriate retirement system, withhold from the employees' wages, or pay on behalf of the employees, a certain percentage of earned wages as defined and to pay over to the appropriate system the amounts withheld, matched with an appropriate percentage of employer matching contributions.

The Township did not remit \$29,531.70 of retirement withholdings from wages earned by employees to the Ohio Public Employees Retirement System for the tax period ended December 31, 2002. Including penalties and interest, the amount owed was \$31,058.85.

The \$31,085.85 was subsequently paid to the Ohio Public Employees Retirement System in May 2003. As of July 31, 2003, the Township is up to date on all the required withholdings to the Ohio Public Employees Retirement System.





**Auditor of State  
Betty Montgomery**

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**SHARON TOWNSHIP**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 16, 2003**